



Claire McCaskill

Missouri State Auditor

November 2005

City of Dearborn, Missouri

Year Ended December 31, 2004



Office Of
Missouri State Auditor
Claire McCaskill

November 2005

The following problems were discovered as a result of an audit conducted by our office of the City of Dearborn, Missouri.

The city needs to better monitor and manage its park project. Although the project was expected to be completed in December 2004, no major components of the project are finished. In spring 2004, the city received three grants totaling almost \$422,000 from the Platte County Parks and Recreation Grant Program for a new city park complex. The city was expected to provide approximately \$120,000 in matching funds.

The city's approved grant applications included estimated completion dates for significant project components. However, as various events delayed the project, the city did not develop revised timelines/completion dates or evaluate how the delays affected the various components of the project. Starting in April 2005, the city focused its efforts solely on finishing the baseball field and estimated the field would be completed in fall 2005. It is unclear when or if other components of the project will be started and completed.

Additionally, the estimated costs per the grant agreements have not been updated based on subsequent events. The estimated costs to finish the baseball field have increased by approximately \$45,000. This cost overrun may affect whether other components of the project can be completed as intended. Because the city was not tracking actual costs or timelines, the city purchased some items, such as the shelter house, playground equipment, and stadium seats, which cannot be used until other work is completed. However, it is unclear if funds will be available to complete all park components as planned. Also, the city's budget needs more detail to adequately monitor estimated and actual project costs.

The city recently reduced the work hours for its water/sewer employees; but, the reductions were not based on documented performance expectations. As a result of the reductions, the city decreased its budgeted personnel costs in 2005 by over \$47,000. However, it is unclear how the current work activities and accomplishments compare to the prior activities or if the reduced hours will be sufficient to accomplish everything the city expects.

The method of allocating the City Clerk's and the water/street employees' wage expense to the city's funds is not supported by documentation. Additionally, the city needs to contact the Internal Revenue Service for guidance regarding the reporting of life/health insurance

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payments to employees and the city's contribution to the employee's deferred compensation plan and the payment of applicable taxes. Also, the city has not established an ordinance for employee compensation or the term of office for the City Clerk as required by state law.

The city needs to monitor the declining cash balance in the Street Fund. In both 2004 and 2003, the expenditures from the fund exceeded the revenues, and the cash balance declined to approximately \$39,000 at December 31, 2004, a \$60,000 decrease from December 31, 2002. Further, although the city has incurred a significant amount of debt which will have an impact on the financial condition of the Water and Sewer Fund, the city has no formal plan to address the repayment of this debt.

Also included in the report are recommendations related to budgeting, planning, and financial reporting, accounting controls and procedures, public records and meetings, and capital asset records.

All reports are available on our website: www.auditor.mo.gov

CITY OF DEARBORN, MISSOURI

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Dearborn, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Dearborn, Missouri. The city engaged Karlin & Unger, P. C., Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended December 31, 2004. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended December 31, 2004. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and

violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city of Dearborn.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

July 26, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Toni M. Crabtree, CPA
In-Charge Auditor: John Lieser, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF DEARBORN
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Park Project
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The city has not adequately monitored and managed its new park project. Although the project was expected to be completed in December 2004, no major components of the project are finished. According to city officials, the city is concentrating on finishing the baseball field and is not currently working on other parts of the project.

In March and April 2004, the city received three grants totaling almost \$422,000 from the Platte County Park and Recreation Grant Program for a new city park complex. The city was expected to provide approximately \$120,000 in matching funds. The county purchased two parcels of land for the project and transferred the property to the city. In addition, the county is currently in the process of acquiring another parcel of land for the project. The components of the project, estimated costs, and actual costs through June 2005 are as follows. Estimated costs were compiled from the grant applications, while actual costs to date were obtained from the city's general ledger and invoices.

<u>Component</u>	<u>Estimated Cost</u>	<u>Actual Cost</u>
Land acquisitions	\$ 120,000	\$ 103,500
Baseball field	130,000	2,000
Community center	60,200	0
Pop shack	56,000	0
Walking trails	40,000	0
Playground	30,500	16,900
Tree removal	28,000	2,400
City employee labor	22,000	2,800
Basketball court	12,900	0
Shelter house	0	10,500
Drainage tiles	0	8,800
Other	42,200	12,000
Total costs	\$ 541,800	\$ 159,000

- A. As various events delayed the project, the city did not develop revised timelines/completion dates on a timely basis or evaluate how the delays affected the various components of the project.

The city's approved grant applications included estimated completion dates for significant project components. For example, the playground and baseball field were to be completed by October 2004 and November 2004, respectively, and the entire park project was scheduled to be completed by December 2004. Although the progress on the project was discussed in the board meetings, the city did not formally track its progress in relation to the timelines/completion dates.

According to city officials, wet weather, questions regarding the installation of a culvert and drainage tiles, grading issues, and other factors have delayed the project. As a result, no major components of the park project are currently completed. Starting in April 2005, the city focused its efforts solely on finishing the baseball field and estimated the field would be completed in fall 2005. However, this completion date is questionable. It appears additional work will be necessary. According to city officials, various concerns have been raised including whether the drainage tiles need to be inspected by an engineer and the amount of debris on the field from tree removal.

Because the original timelines have not been met, no park facilities are currently available to residents. The city has dismantled its old playground equipment and sold its old park. Additionally, it is unclear when or if other components of the project will be started and completed. As noted below, cost overruns may prohibit the completion of some components. Tracking project milestones is important to ensure the effective use of resources and to establish accountability and expectations for completing the project.

To help monitor the progress of the park project, the city needs to develop revised timelines/completion dates detailing project milestones for finishing the baseball field and other components of the project. The timelines/completion dates should be updated as needed.

- B. The city needs to improve its monitoring of the estimated and actual costs of the park project and to revise the estimated costs as needed.

The estimated costs per the grant agreements have not been updated based on subsequent events. The estimated costs to finish the baseball field have increased by approximately \$45,000 to a total estimate of over \$175,000. This cost overrun may affect whether other components of the project can be completed as intended. Because the city was not tracking actual costs or timelines (as noted above), in summer/fall 2004, the city purchased some items which cannot be used until other work is completed. These items include the shelter house, playground equipment, and stadium seats. However, it is unclear if funds will be available to complete all park components as planned.

Additionally, the city's budget does not include enough detail to adequately evaluate and monitor the estimated (budgeted) and actual project costs. For example, while over \$380,000 in estimated costs have not been expended, the 2005 budget only includes two expense categories for the park project, approximately \$217,000 and \$17,000 for miscellaneous expenses and payroll (in-kind match for grants), respectively. According to city personnel, there is no documentation to support these amounts.

To provide for effective and timely monitoring of the project costs, the estimated costs of the project should be revised as needed and these estimates reflected in detail in the city's budget.

WE RECOMMEND the Board of Aldermen develop revised timelines and cost estimates for the entire project and monitor progress of the project against those timelines and cost estimates. These monitoring activities should be documented and need to explain significant variations between estimates, actual events, and costs. The revised cost estimates should be reflected in detailed expense categories in the city's budget.

AUDITEE'S RESPONSE

The city of Dearborn will develop revised timelines and cost estimates for the park project and monitor progress of the project against those timelines and cost estimates. Monitoring activities shall be documented and an explanation of significant variations between estimates, actual events and costs will be made. The revised cost estimates shall be reflected in detailed expense categories in the city's budget.

2.

Payroll and Personnel Matters

The city needs to continue monitoring the work hours established for its water/street employees, and to develop supporting documentation for the allocations of wage expense to its various funds. In addition, the city needs to ensure its payments to employees for their insurance and its contributions to an employee's deferred compensation plan, are properly handled and accounted for. Also, Form 1099-MISC is not always issued as required.

A. The city needs to continue monitoring the work activities of its water/street employees to ensure their authorized work hours are appropriate. The city recently reduced the work hours for its water/street employees; however, the reductions were not based on documented performance expectations or written job descriptions for the water/street employees. As a result it is unclear what services, if any, may have been forgone in this cost-cutting effort.

When the city closed its water plant in August 2003, the city executed employment contracts with its water/street employees, with guaranteed minimum weekly hours of 50, 40, and 6 for the three employees. The employee required to work 50 hours per week worked 10 hours overtime on Saturday and Sunday, principally to fill the water tower on those days. In December 2004, the city decided the guaranteed hours were more than needed and in January 2005 offered the current employees reduced hours and benefits. The 50 hour position was reduced to 40 hours, the 40 hour position was reduced to 32 hours, and 6 hour position was reduced to hours as needed. The two full-time employees refused to accept the offers and resigned. In March 2005, the board hired an employee for

the 40 hour position, eliminated the 32 hour position, and retained the 6 hour position.

The city reduced its budgeted personnel costs in 2005 by over \$47,000 with these changes. Although the city decided to stop routinely filling the water tower on weekends, it appears the city did not consider what, if any, other duties/activities should or should not be performed by the water/street employees. The city did not document reductions in activities or plans to support the decrease in total employee work hours, and did not prepare formal written job descriptions for its water/street employees. Consequently, it is unclear how the current work activities and accomplishments compare to the prior activities or if the reduced hours will be sufficient to accomplish everything the city expects.

Written job descriptions or formal performance expectations for employees would facilitate communication of employee responsibilities and provide support for the expected work hours. Although the city now requires its full-time water/street employee to prepare a daily activity log, it appears this is not currently being maintained. The city needs to continue monitoring the activities of its water/street employees to ensure the authorized work hours are sufficient to accomplish what the city expects. The employee's daily activity log may provide useful information for the board to develop the job descriptions.

- B. The method of allocating the City Clerk's and the water/street employees' wage expense to the city's funds is not supported by documentation. Although the City Clerk does not prepare a timesheet, her wages are allocated 56 percent to the General Fund, 24 percent to the Water Fund, and 20 percent to the Police Fund. In addition, while the water/street employees prepare timesheets, the timesheets show no detail and the employees' wages are allocated equally between the Water Fund and Street Fund. The city has no documentation to support how these percentages were determined.

The funds of the city are established as separate accounting entities to account for specific activities of the city. Reflecting expenses in the proper fund is necessary to accurately determine the results of operations and/or specific activities; thus, enabling the city to establish the level of taxation and/or user fees necessary to meet operating costs.

- C. The city does not report and withhold payroll taxes or pay the employer's share of social security for compensation paid to employees for health and life insurance. The city requires its full-time water/street employee to procure his own health and life insurance and pays the employee \$130 a month for the insurance premiums. The city paid its two former full-time water/street employees \$280 and \$443 per month for health insurance premiums.

These payments may be taxable compensation. The Internal Revenue Service (IRS) regulations require employers to report taxable compensation on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo, includes

requirements for reporting compensation and withholding state income taxes. Also, state and federal laws require employers to withhold payroll taxes and pay the employer's share of social security on the compensation paid to employees.

- D. The city is reporting its contributions to the employees' deferred compensation plan on the employees' W-2 and is paying social security and Medicare tax on its contributions. Except for the City Treasurer who takes the contribution as salary, the city pays three percent of each employee's gross salary into a deferred compensation plan. Also, until January 2005 (when he resigned) a former water/street employee received the three percent contribution and an additional \$727 per month as deferred compensation. These contributions are included in the employees' gross salary which are subject to social security and Medicare tax.

IRS regulations provide that employer contributions to a qualified retirement plan are exempt from social security and Medicare tax. The city's records do not indicate whether its deferred compensation plan is or is not a qualified retirement plan. The city needs to contact the IRS for guidance regarding this situation.

- E. The city has no procedures in place to ensure Form 1099-MISC is always filed with the IRS as required. In 2004, the city did not file Form 1099-MISC with the IRS for payments, totaling \$4,472, to its attorney.

Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Form 1099-MISC.

- F. The city has not established an ordinance for employee compensation or the term of office for the City Clerk. Although the city sets employee compensation and benefits through employment agreements with each employee, Section 79.270, RSMo, provides that city officials and employee salaries be set by ordinance. In addition, Section 79.320, RSMo, requires the City Clerk's term of office be established by ordinance. Also, Section 79.270, RSMo, provides that "...the salary of an officer shall not be changed during the time for which he was elected or appointed." Thus, the term of office is significant in determining when pay increases are allowable under state law.

WE RECOMMEND the Board of Aldermen:

- A. Continue monitoring the activities of its water/street employees to ensure the authorized work hours are appropriate. As part of the monitoring process, the city should consider developing written job descriptions for its employees.
- B. Ensure the City Clerk's and water/street employees' wages are properly allocated to the various funds and are supported by adequate documentation.

- C. Contact the IRS for guidance regarding the reporting of life and health insurance payments to employees and the withholding and payment of applicable payroll and social security taxes.
- D. Contact the IRS for guidance regarding the reporting of the city's contribution to the employee's deferred compensation plan and the withholding of social security and Medicare taxes.
- E. Establish procedures to ensure Form 1099-MISC is prepared and reported to the IRS as required.
- F. Establish the compensation of city officers and employees by ordinance. In addition, the term of office for the City Clerk should be set by ordinance.

AUDITEE'S RESPONSE

- A. *The city of Dearborn agrees that this and every board should monitor the activities of all employees to make sure that hours worked are appropriate for the amount of work needed in this city. We also agree that a more thorough job description, one outlining the job even further than what is on file, is needed to give the employee an understanding of what is expected of him. We will continue to monitor hours and will work on a more thorough job description. Any changes to hours will be documented.*
- B. *The city of Dearborn agrees that we should ensure that wages are properly allocated to the funds of the city and are documented to back those decisions. We will document hours worked for a set amount of time to ensure that proper allocation is taking place.*
- C. *The city of Dearborn agrees that we should contact the IRS to ensure we are reporting insurance payments correctly. We will contact the IRS to develop a plan to correct our current process reporting insurance payments and withholdings/payments of taxes and payroll.*
- D. *The city of Dearborn agrees that we should contact the IRS to ensure we are correctly reporting the city's contribution to all employees' compensation plan and withholding of taxes. We will contract the IRS to develop a plan to implement changes that will be in line with what is asked of the city.*
- E. *The city of Dearborn agrees that we should establish procedures to make sure Form 1099-Misc is prepared and reported to the IRS. We will contact the IRS to acquire said procedures to ensure steps are being made correctly.*
- F. *The city of Dearborn agrees that an ordinance should be set to establish compensation of all city employees and officers and also to set the term of office for the City Clerk. We will look for correct examples to follow and will implement changes in our ordinance book according to city and state laws.*

Significant weaknesses were identified in the city's budgeting, planning, and financial reporting. Complete budgets are not prepared as required by state law, an annual maintenance plan for city streets is not prepared, and the city's financial report for the year ended December 31, 2003 was not submitted to the State Auditor's Office. In addition, the city needs to monitor the financial condition of its Street Fund and Water and Sewer Fund.

- A. The budget prepared for the year ending December 31, 2004 did not include a budget message, actual revenues and expenditures for the two preceding budget years, or the beginning and estimated ending available resources. Section 67.010, RSMo, requires the preparation of an annual budget which presents a complete financial plan for the ensuing budget year.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific costs and revenue expectations for each area of city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations by fund, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years.

- B. The city does not prepare an annual maintenance plan for city streets. In 2004, the Street Fund expenditures totaled almost \$60,000.

A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

- C. The city did not submit an annual financial report or audited financial statements to the State Auditor's Office for the year ended December 31, 2003, as required by state law. The audited financial statements for the year ended December 31, 2004 were filed with the State Auditor's Office on July 22, 2005. Section 105.145, RSMo, requires political subdivisions to file an annual report of the financial transactions of the political subdivision with the State Auditor's Office. The city's audited financial statements are due by June 30, each year.

D. The city needs to monitor the declining cash balance in the Street Fund and develop long-term plans to address the repayment of Water and Sewer Fund debt.

1. The city needs to monitor the declining cash balance in the Street Fund. In both 2004 and 2003, the expenditures from the fund exceeded the revenues, and the cash balance declined to approximately \$39,000 at December 31, 2004, a \$60,000 decrease from December 31, 2002. Additionally, the city's 2005 budget has expenditures exceeding revenues by over \$10,000. The city should monitor the fund's revenues and expenditures to ensure an adequate cash balance is maintained.
2. Although the city has incurred a significant amount of debt which will have an impact on the financial condition of the Water and Sewer Fund, the city has no formal plan to address the repayment of this debt.

In March 2002, the city entered into a cooperative agreement to purchase water from Kansas City. However, a new water supply main and pump station had to be constructed for Kansas City to deliver the water. The city's share of the construction costs totals almost \$761,000 and are to be repaid over 20 years. The city is required to begin repaying these costs later this year. Also, Kansas City is installing telemetry equipment and programming for which the city is responsible for reimbursement, however, Kansas City has not provided an estimate of these costs to the city.

In addition, the net income and/or loss (excluding the extraordinary loss in 2004) for the Water and Sewer Fund was \$14,225, (\$7,465), and \$7,149 for 2004, 2003, and 2002, respectively. The city has taken recent action to increase the cash balance of the fund by reducing its payroll costs (as discussed in MAR finding number 2) and contracting to sell its old waterworks property. Although, these actions may provide the fund with sufficient cash to meet its financial obligations for the short-term, long-term plans are needed to ensure sufficient resources will be available throughout the duration of the debt repayment term.

The city needs to closely monitor the ongoing financial condition of the Water and Sewer Fund and to develop a long-range plan which will allow the city to reduce its water/sewer expenditures and/or increase its revenues to pay operating cost as well as the required debt payments.

WE RECOMMEND the Board of Aldermen:

- A. Prepare budgets that contain all information as required by state law.
- B. Prepare an annual street maintenance plan as part of the budget.

- C. Submit financial reports to the State Auditor's Office on a timely basis, as required by law.
- D.1. Monitor the financial condition of the Street Fund to ensure an adequate cash balance is maintained.
 - 2. Develop a long-range plan for the Water/Sewer Fund to ensure the financial condition of the fund is sufficient to pay the operating costs as well as the required debt payments.

AUDITEE'S RESPONSE

- A. *The city of Dearborn agrees that we should prepare budgets that contain all the information required by law and that date back at least 2 years. We will research with the state to ensure all budgets made for the city of Dearborn are within the confines of state law.*
- B. *The city of Dearborn agrees that we should prepare an annual street maintenance plan as part of the yearly budget. We will sit down with our streets employee to prepare an annual plan of what streets are to be repaired, estimated costs, and any improvements needed in that calendar year.*
- C. *The city of Dearborn agrees that we should submit financial reports to the State Auditor's Office on a timely basis. We will prepare said reports and make sure that they make it to the State Auditor's Office, as required by law.*
- D.1. *The city of Dearborn agrees that the financial condition of the Street Fund needs to be monitored to ensure the account is maintained in a working order. Before repairs are made to our city streets, we will consult with the budget to ensure it can handle the financial burden placed on it.*
 - 2. *The city of Dearborn agrees that we should develop a long-range plan for the Water/Sewer Fund to ensure the account is maintained in a working order, now and in the future. We will prepare a budget that will look forward to the next year, 5 years, 10 years, 20 years, and 30 years in the future and will include any foreseeable changes in the water/sewer department. All debt payments and improvements will be included, as will future rate and income increases that can be foreseen.*

4.	Accounting Controls and Procedures
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The city needs to consolidate its bank accounts and evaluate whether the Police Fund is needed. In addition, duties are not adequately segregated related to the city's utility system.

- A. The city has several bank accounts and the need for a Police Fund is questionable.

The city has nine checking accounts, three money market accounts, and four certificates of deposit (CDs). Except for separate accounts for the Water Fund and bond reserve accounts, it appears the remaining bank accounts could be consolidated to help simplify the city's records and reduce the number of accounts that must be monitored and controlled. A large number of bank accounts requires additional record keeping and increases the likelihood that errors will occur in the handling of funds. Consolidating accounts would also allow funds to be pooled for increased investment opportunities. In spring 2005, the city was earning .35 percent on checking accounts, .65 percent on money market accounts, and rates ranging from 1.195 to 1.295 percent on CDs.

In addition, the Police Fund has no funding source other than transfers from the General Fund. The city should consider eliminating the Police Fund and recording and reporting police expenses within the General Fund. Eliminating the Police Fund would reduce the number of interfund transfers and simplify record keeping.

- B. There is no independent oversight or adequate segregation of duties related to the city's utility system. The City Clerk performs all functions related to generating monthly water/sewer bills; receiving, recording and depositing water/sewer payments; approving and making adjustments; and producing various reports. There is no documented independent review of these activities or reports.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are properly accounted for and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing monies from that of generating bills, recording payments, and following up on delinquent accounts. If proper segregation of duties cannot be achieved, at a minimum, there should be an independent review of the reconciliations between water/sewer payments and recorded deposits, and an independent review and approval of credit adjustments and delinquent account follow-up.

WE RECOMMEND the Board of Aldermen:

- A. Consider consolidating the city's bank accounts and CDs and evaluate whether the Police Fund is needed.
- B. Segregate the duties of receipting and depositing monies from that of preparing bills and recording payments. If proper segregation of duties can not be achieved, at a minimum, there should be an independent review of the reconciliations between payments deposited and recorded, and an independent review of and approval for credit adjustments and delinquent accounts follow-up.

AUDITEE'S RESPONSE

- A. *The city of Dearborn agrees that we should consolidate the city's bank accounts and CDs, as well as any funds that can be combined. We will review all accounts to see what can be combined in order for the city to have fewer accounts.*
- B. *The city of Dearborn agrees that we should segregate the duties of receipting and depositing monies and of payments. We will develop a plan to ensure that all deposits and payments are reviewed. We will also review any adjustments or accounts that require our attention. Also, the board will be presented with any accounts which are to be written-off.*

5. Public Records and Meetings

The city needs a formal policy regarding public access to city records. Additionally, official board meetings were not held when telephone votes were utilized.

- A. The city does not have a formal policy regarding public access to city records. A formal policy would establish guidelines for the city to make the records available to the public. This policy should identify a person to contact, provide an address to mail such requests, and establish a cost for providing copies of public records.

Section 610.023, RSMo, lists requirements for making city records available to the public. Section 610.026, RSMo, allows the city to charge fees for copying public records, not to exceed the city's actual cost of document search and duplication.

- B. The city did not comply with applicable requirements when members of the board voted via telephone. We noted two instances where board members apparently voted on issues via the telephone at times other than during an official board meeting. However, a quorum of board members was not physically present.

Section 610.015 RSMo, allows board members to participate and vote in a public meeting only when a quorum of members is physically present and less than a quorum of the members participate via telephone.

WE RECOMMEND the Board of Aldermen:

- A. Develop written policies regarding procedures to obtain access to, or copies of, public city records.
- B. Comply with state law regarding board members participating and voting via a telephone.

AUDITEE'S RESPONSE

- A. *The city of Dearborn agrees that we should develop written policies regarding procedures to obtain copies of public city records. We have implemented changes regarding this; whereby city records can be obtained by filling out a form that will include what is being requested, who is making the request and when the request is made to make sure copies are given within the guidelines set by the Missouri Sunshine law of 3 days.*

- B. *The city of Dearborn agrees that board members should comply with state law regarding phone votes. We have since made sure that all Sunshine Laws are followed with regards to voting by phone.*

6. Capital Asset Records

The city does not maintain complete and current records for its capital assets, including land, buildings, equipment and furniture. In addition, property is not tagged for specific identification and an annual physical inventory of the property is not performed. At December 31, 2004, the city's financial statements showed capital assets totaling over \$1.3 million.

Although, the city's Certified Public Accountant (CPA) maintains a list of capital assets for report purposes, the city only maintains a list of water/sewer and street equipment. In addition, the city had not updated this list since 2002 and does not reconcile their list to the CPA's list of property.

Property records for capital assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amounts of insurance coverage. The city needs to maintain property records on a perpetual basis, accounting for property acquisitions and dispositions as they occur. The records should include a detailed description of the assets including the name, make and model numbers, asset identification numbers, the physical location of the assets, and the date and method of disposition of the assets. All property items should be identified with a tag or other similar device, and the city should conduct annual physical inventories and compare to the detailed records. In addition, the city should periodically reconcile their property records to records maintained by the CPA to ensure all property is accounted for and reported.

WE RECOMMEND the Board of Aldermen maintain complete and current capital asset records that include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. Additionally, annual physical inventories should be performed and compared to the detailed records.

AUDITEE'S RESPONSE

The city of Dearborn agrees that we should maintain complete and current asset records of city property. We will begin making a detailed list, including serial numbers/descriptions/etc., of all our property. We will also make sure that an annual inventory is made.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF DEARBORN, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of Dearborn is located in Platte County. The city was incorporated in 1882 and is currently a fourth-class city. The population of the city in 2000 was 529.

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended December 31, 2004, are identified below. The Mayor and the Board of Aldermen serve without compensation.

Mayor and Board of Aldermen	Dates of Service During the Year Ended December 31, 2004	
Josh Linville, Mayor	August 2004 – December 2004	
Delba McAuley, Mayor (1)	January 2004 – August 2004	
Donald Swanstone Jr.	January 2004 – December 2004	
Bill Edwards	April 2004 – December 2004	
Bill Brooks	January 2004 – April 2004	
Robert Carroll (2)	January 2004 – December 2004	
Brian Justus (3)	August 2004 – December 2004	
Lila Scrivener (4)	January 2004 – August 2004	
		Compensation Paid for the Year Ended December 31, 2004
Other Principal Officials	Dates of Service During the Year Ended December 31, 2004	
Susan Crowley, City/Court Clerk	January 2004 – December 2004	\$ 16,200
Marjorie Williams, City Treasurer (5)	January 2004 – December 2004	3,399

- (1) Ms. McAuley resigned in August 2004 and Mr. Linville was appointed Mayor.
- (2) Mr. Gary Bomar was elected in April 2005.
- (3) Mr. Louis Buntin was elected in April 2005.
- (4) Ms. Scrivener resigned in August 2004 and Mr. Justus was appointed Alderman.
- (5) Ms. Williams resigned in May 2005 and Ms. Carol Bryan was appointed City Treasurer.

In addition to the officials identified above, the city employed two full-time employees and one part-time employee on December 31, 2004. For all employees, except the City Treasurer, the city contributed 3% of the employee's gross salary to a deferred compensation plan. These

contributions are not included in the amounts above. The City Treasurer elected to receive her 3% as additional salary.

Assessed valuations and tax rates for 2004 were as follows:

ASSESSED VALUATIONS

Real estate	\$	2,995,848
Personal property		909,492
Railroad and utility		87,601
Total	\$	<u>3,992,941</u>

TAX RATE(S) PER \$100 ASSESSED VALUATION

		Rate
General Fund	\$	<u>.5539</u>

TAX RATE(S) PER \$1 OF RETAIL SALES

		Rate
General	\$	<u>.015</u>

The city receives 1 percent of 50 percent of the proceeds (municipal portion) of a county-wide transportation sales tax. The sales tax expires in 2013.

The city also received grants for its park project from Platte County from the proceeds of a county-wide sales tax for local parks and storm water control. The sales tax expires in 2010.